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INFO RUEHAC/AMEMBASSY ASUNCION 6517
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RUEATRS/DEPT OF TREASURY WASHINGTON DC
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RUEHC/DEPT OF LABOR WASHINGTON DC
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SIPDIS

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STATE FOR WHA/AND LPETRONI
COMMERCE FOR JANGLIN
TREASURY FOR SGOOCH

E.O. 12958: N/A

TAGS: EMIN EINV ECON PREL PGOV BL
SUBJECT: GOB, MINERS' COOPERATIVES SIGN AGREEMENT

REF: A. LA PAZ 334

1B. 06 LA PAZ 2860

SUMMARY

11. (U) Two days of protests (ref A) culminated February 7 in a comprehensive agreement between the GOB and cooperative-affiliated miners. The GOB backed away from proposed mining tax increases -- putting them on hold until all parties reach consensus -- and yielded to other demands, agreeing to adhere to an earlier pact committing the GOB to respect cooperatives' existing lease arrangements. Both sides portrayed the agreement as a "reconciliation" and vowed to try to avoid further conflict, but the deal drew criticism from diverse quarters. End summary.

GOB, COOPERATIVES SIGN AGREEMENT

12. (U) Two days of increasingly violent protests (ref A) culminated February 7 in a comprehensive agreement between the GOB and cooperative-affiliated miners. The two sides emerged from a five-and-a-half-hour meeting to announce that the GOB had backed away from proposed mining tax increases -- putting them on hold until cooperatives, salaried miners, and the government reach consensus -- and yielded to other demands, including miners' insistence that the GOB adhere to an earlier pact committing the government to respect cooperatives' lease arrangements and traditional work areas.

¶3. (U) The GOB further agreed to establish a \$10 million fund to provide affordable credit, technical expertise, and project development assistance; to allow two representatives of miners' cooperatives to join the board of Comibol, the state-owned mining company; to exercise greater state control over mineral sales, to the benefit of cooperatives; and to try to provide jobs to miners left without work after October 2006 conflicts at Huanuni (ref B).

BOTH SIDES HAIL "RECONCILIATION"

¶4. (U) Both sides portrayed the agreement as a "reconciliation" and vowed to try to avoid further conflict. Press reports indicate that National Federation of Cooperative Miners (FENCOMIN) President Andres Villca declared the pact a "work of good will" and expressed satisfaction with the conflict's outcome, while President Morales said the two sides had "reconciled" and "would work together to avoid and resolve problems." Minister of Labor Walter Delgadillo added that cooperative-affiliated miners had agreed to renewed dialogue and were once again part of the Morales administration's "great national project of change."

COMMENT

¶5. (SBU) The government's acquiescence may have occurred more quickly than many expected, but given threats of prolonged demonstrations and potentially damaging nationwide road blockades, GOB officials may have felt it in their best interest to reach agreement quickly. The big question now is what happens next, as brokering a multi-party agreement on mining tax increases will be a significant challenge. The deal was not popular on the Bolivian street or in the media, with La Paz residents angry that the GOB ceded to what had become a dangerous, hostile mob and the media wondering how the next violent social protest by a special interest group will be rewarded. End comment.

GOLDBERG